

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
January 21, 2003
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on January 21, 2003 in the Auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120/1 et seq.

The following Board Members were present: Chairman Elzie Higginbottom and Members Ira Rogal, Tobias Barry, Violet Clark, Gary Peterlin, and William Dugan.

Chairman Higginbottom convened the January 21, 2003 Regular Meeting at 9:40 A.M. in the 3rd floor Board Conference Room. Member Rogal moved that **pursuant to Section 2(c), paragraphs (1), (11), (14) and (21) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act, the Board retire to Closed Session to discuss the items listed under Closed Session on today's (January 21, 2003) agenda and relating to the following subject matters:**

- 1. Pending litigation and matters involving probable litigation;**
- 2. Investigations concerning applicants and licensees;**
- 3. Personnel matters; and**
- 4. Closed session minutes.**

Member Clark seconded the motion. The Board adopted the motion by unanimous consent and retired to closed session.

The Board convened its Open Session at 1:15 P.M.

Approval of Minutes

Member Peterlin moved that the **Board approve the following closed session minutes of the Illinois Gaming Board's Regular Meeting of December 9, 2002 and Special Meeting of December 19, 2002, and the open session minutes of its Special Meeting of December 3, 2002, Regular Meeting of December 9, 2002, and Special Meeting of December 19, 2002.** Member Clark seconded the motion. The Board approved the motion unanimously by voice vote.

Member Clark moved that **all portions of the closed session minutes of the Illinois Gaming Board from January 22, 2002 through and including December 19, 2002, for which the need for confidentiality no longer exists, be made available for public inspection in accordance with the Open Meetings Act.** Member Peterlin seconded the motion. The Board approved the motion unanimously by voice vote.

Chairman's Report

Chairman Higginbottom introduced new Board member, William Dugan. Chairman Higginbottom stated that Member Dugan is the president of Local 150 of the International Union of Operating Engineers. Chairman Higginbottom stated that Member Dugan comes to the Board with a wealth of experience. Chairman Higginbottom stated that he is looking forward to Member Dugan's contribution to the Board.

Chairman Higginbottom publicly acknowledged how committed the Board is to the Self-Exclusion Program. Chairman Higginbottom stated that the Self-Exclusion Program is very useful and that many people are benefiting from the program.

Administrator's Report

Administrator Parenti stated that the Self-Exclusion Program was the "child" of former Chairman, Greg Jones, and has been fully implemented by Staff and Chairman Higginbottom.

Gene O'Shea, Public Information Officer, provided the Board with a status of the Self-Exclusion Program. Mr. O'Shea stated that the Board identified the need to address the problem of compulsive gambling and convened a special one-day meeting in May of 2000 to hear from experts on issues related to problem gambling and the approaches available to address its impact. Mr. O'Shea stated that as a result of the meeting, Staff drafted a proposed rule that would establish a self-exclusion list and develop a statewide support program.

Mr. O'Shea stated that in June of 2001, former Chairman, Greg Jones, requested that Mr. O'Shea begin looking into how the Board would implement the Self-Exclusion Program once the rule was in place. Mr. O'Shea stated that himself and other Staff members met with the Missouri Gaming Commission regarding Missouri's Self-Exclusion Program. Mr. O'Shea stated that the Missouri Gaming Commission has had a Self-Exclusion Program in

place since 1996 and over 4,000 people on their exclusion list. Mr. O'Shea stated that the Illinois Gaming Board's Self-Exclusion Program is based largely on the Missouri model; however, Staff has improved certain aspects of the Missouri model and has incorporated information that has been received from the mental health community, problem gamblers, and others to strengthen the program.

Mr. O'Shea stated that after working closely with Staff, the Illinois Gaming Board's Self-Exclusion Program was launched On July 1, 2002. Mr. O'Shea stated that since the program has been launched, 322 persons have enrolled in the program.

Mr. O'Shea stated that in August of 2002, Wayne Burdick, President of the Outreach Foundation for Problem and Compulsive Gamblers, contacted Mr. O'Shea and said that the Outreach Foundation is interested in helping the Gaming Board enroll persons in the Self-Exclusion Program. Mr. O'Shea stated that the Outreach Foundation has proven to be very valuable to those seeking to participate in the program. Mr. O'Shea stated that representatives of the Outreach Foundation have traveled to gambler's anonymous meetings in the metropolitan area and signed up persons at those locations. Mr. O'Shea stated that to date, the Outreach Foundation has enrolled 86 persons in the program.

Mr. O'Shea stated that in October of 2002, IGB agents and supervisors at various docksites began accepting applications from patrons who wanted to enroll in the Self-Exclusion Program. Mr. O'Shea stated that to date, more than 175 persons have utilized the docksite locations to enroll.

Mr. O'Shea informed the Board of the various sites that are accepting applications for persons wanting to enroll in the Self-Exclusion Program. Mr. O'Shea stated that the Gaming Board has 20 locations throughout the State where a person may enroll in the Self-Exclusion Program.

Mr. O'Shea credited the success of the Self-Exclusion Program to the hard work of Staff, IGB agents, and the owner licensees.

Public Commentary

Tom Grey, National Coalition Against Legalized Gambling, was present to discuss the 10th license. Mr. Grey stated that he believes that the Board wants an open and fair process. Mr. Grey stated that which ever direction the Board decides to go in deciding who gets the 10th license, he hopes that the Board includes the public and allows the public to express their concerns before the Board in a timely manner.

Tom Swoik, Executive Director, Illinois Casino Gaming Association (ICGA), was present to explain how casinos have a positive impact on the economy of Illinois; how Illinois casinos are losing revenues to Missouri, Indiana and Iowa; and about ICGA's proposal to help offset the loses and create a better deal for Illinois.

Mr. Swoik stated that the Riverboat Gambling Act was passed to foster economic activity and tourism. Mr. Swoik provided the Board with examples of how the Riverboat Gambling Act has also established the casino industry to serve as a major employer, charitable donor, capital investor and state and local taxpayer.

Mr. Swoik stated that together with the Illinois Chamber of Commerce, the ICGA commissioned a study to measure the economic contributions of the casino industry, and the impact of ICGA's proposal, "A Better Deal for Illinois." Mr. Swoik stated that preliminary results demonstrate that casinos help create or sustain thousands of Illinois jobs and billions in economic activity statewide outside of the casino industry itself. Mr. Swoik briefed the Board on what he feels is the beginning of the deterioration of the gaming revenues in the State of Illinois.

Mr. Swoik stated that the casino industry faces two major challenges to continued growth and investment: (1) excessively high taxes, and (2) a limited number of gaming positions. Mr. Swoik stated that extraordinarily high taxes and a limited number of gaming positions hurt the Illinois casino industry's ability to compete with casinos in bordering states. Mr. Swoik stated that bordering states are better able to draw Illinois residents across the border, taking their money and Illinois' potential tax dollars with them. Mr. Swoik stated that the high tax rates would affect bidding on the tenth license. Mr. Swoik stated that because of the high rates, major casino companies will be reluctant to invest as much money as they otherwise would have.

Mr. Swoik provided information on ICGA's proposal, "A Better Deal for Illinois." Mr. Swoik stated that "A Better Deal for Illinois" calls for increasing the limit on the number of games and tables authorized at each casino, and changing the tax structure back to the pre-July level, at the time the tenth license becomes operational. Mr. Swoik stated that "A Better Deal for Illinois" would make Illinois casinos more competitive with neighboring states and provide an incentive for additional investment in Illinois casino properties.

Wayne Burdick, President, Outreach Foundation, was present to brief the Board on the functions of the Outreach Foundation. Mr. Burdick stated that the purpose of the Outreach Foundation is to educate and make the public aware of compulsive gambling. Mr. Burdick stated that the Outreach Foundation provides services to people who suffer from compulsive gambling in all areas, such as lottery, horse racing, illegal sports betting, and gambling on the internet.

Mr. Burdick commended the Board on its Self-Exclusion Program. Mr. Burdick stated that because the Outreach Foundation is part of the Self-Exclusion Program enrollment process, compulsive gamblers have the opportunity to sit with people from the Outreach Foundation who understand the disease. Mr. Burdick stated that a third of the people who enroll to be self-excluded through the Outreach Foundation go to get counseling for their disease. Mr. Burdick stated that the Outreach Foundation offers such services as showing the compulsive gambler how to pay their debts back. Mr. Burdick stated that it is hard to service the entire

State with the funds available. Mr. Burdick urged that if the Board has any influence, that they would use it and talk to people who would be able to help fund the Outreach Foundation. Mr. Burdick stated that even though the Outreach Foundation's budget was cut to \$80,000, he is grateful for OASA and the Illinois Department of Human Services, who fought to add \$20,000 back to the budget. Mr. Burdick stated that the Illinois Casino Gaming Association was nice enough to extend \$44,000 to pay for literature that would have been eliminated if the Outreach Foundation did not have the additional funding. Mr. Burdick stated that the Outreach Foundation has a backlog of speaking engagements, which includes speaking at grammar schools and that it could really use the Board's support in any way.

Member Peterlin stated that he is pleased with the efforts of Staff and the Outreach Foundation as it relates to the Self-Exclusion Program.

Member Rogal asked if there was any money available for treatment for problem gamblers. Mr. Burdick stated that his goal is to have a halfway house connected to the Outreach Foundation Office. Mr. Burdick stated that there is not much money available for treatment.

Owner Licensee Items

HARRAH'S JOLIET – BRANDY J. PIRC, INTERNAL AUDIT SUPERVISOR – LEVEL ONE – Michael St. Pierre, General Manager, was present on behalf of Brandy J. Pirc to request approval as a Level One.

Based on a review of the staff's investigation and recommendation, Member Peterlin moved that **the Board approve Brandy J. Pirc as a Level 1 Occupational Licensee of Des Plaines Development Limited Partnership d/b/a Harrah's Casino Cruises Joliet.** Member Clark seconded the motion. The Board approved the motion unanimously by voice vote.

HARRAH'S METROPOLIS – GINA MICHELLE YATES, INTERNAL AUDITOR – LEVEL ONE – Mike Crider, General Manager, was present on behalf of Gina Michelle Yates to request approval as a Level One.

Based on a review of the staff's investigation and recommendation, Member Clark moved that **the Board approve Gina Michelle Yates as a Level 1 Occupational Licensee of Southern Illinois Riverboat Casino Cruises, Inc. d/b/a Harrah's Metropolis Casino.** Member Rogal seconded the motion. The Board approved the motion unanimously by voice vote.

GRAND VICTORIA – PETER A. SIMON, II, EXECUTIVE COMMITTEE – KEY PERSON- Donna More, Attorney, and Peter A. Simon were present on behalf of Mr. Simon to request approval as a Level One.

Based on a review of the staff's investigation and recommendation, Member Rogal moved that **the Board approve Peter A. Simon II as a Key Person of Elgin Riverboat Resort d/b/a**

Grand Victoria Casino. Member Dugan seconded the motion. The Board approved the motion unanimously by voice vote.

EMERALD CASINO, INC. – STATUS REPORT – Joseph U. Schorer, Counsel for Emerald, was present on behalf of Emerald Casino, Inc. to update the Board on Emerald's bankruptcy. Mr. Schorer stated that Emerald Casino, Inc.'s number one constituency was the Board. Mr. Schorer stated that Emerald's goal is to work with the Board as Emerald tries to work its way through the bankruptcy process.

Mr. Schorer stated that he wanted to discuss four topics: (1) background on history of the Emerald matter; (2) a general description of the bankruptcy process; (3) a discussion of where the sales process stands; and (4) a discussion of the settlement agreement Emerald Casino entered into with the Board.

Mr. Schorer stated that on June 13, 2002, an involuntary Chapter 7 bankruptcy was filed against Emerald Casino. Mr. Schorer stated that on September 10, 2002, Emerald Casino converted its case to a Chapter 11 case. Mr. Schorer stated that effective on or around August 19, 2002, Emerald Casino and several of its shareholders, including its majority shareholders, entered into a settlement agreement with the Board. Mr. Schorer stated that on December 19, 2002, Chairman Higginbottom met with the chairman of Emerald Casino.

Mr. Schorer stated that since Emerald converted to a Chapter 11 case, its management continues to run its affairs. Mr. Schorer stated that the goal of a Chapter 11 is to reorganize, or sell itself, under a Chapter 11 plan. Mr. Schorer stated that there have been five important events that have occurred during Emerald's Chapter 11 case. Mr. Schorer stated that one event was that an automatic stay was imposed on Emerald during the Chapter 11 case, which stops all litigation against Emerald.

Member Rogal asked if it was Mr. Schorer's position that the automatic stay would stop any disciplinary proceedings against Emerald Casino. Mr. Schorer stated that Emerald has not come to that issue yet; however, Emerald would like to work with the Board and Staff to come up with something cooperatively that satisfies the Board, so Emerald would never have to reach that issue.

Member Peterlin asked what type of time frame does Emerald have in mind for resolving the matter.

Mr. Schorer stated that Emerald was before the bankruptcy court on a motion to extend its exclusive period. Mr. Schorer stated that under the bankruptcy code, the debtor is allowed an exclusive period to file a plan of reorganization. Mr. Schorer stated that the original exclusive period ran until January 8, 2003, and that it was extended by agreement to January 15, 2003. Mr. Schorer stated that Emerald's motion requested an extension of time, and by agreement, Emerald's exclusive period was extended to February 28, 2003.

Member Peterlin asked whom Emerald made the agreement with to extend the exclusive period.

Mr. Schorer stated that the creditors committee had originally objected to the extension; however, Emerald was able to successfully negotiate with the committee for an extension.

Member Peterlin stated that Emerald had indicated earlier that its most important constituency is the Gaming Board; however, the Board has not taken part in the extensions.

Mr. Schorer stated that Emerald sent notice of the motion to the Board, that Emerald did not receive an objection and that the Board's "people" were present.

Administrator Parenti stated that the Board's counsel would discuss the matter later in the meeting. Administrator Parenti stated that the Board did not appear at the proceedings. Administrator Parenti asked if Mr. Schorer has checked the pleadings and if he was aware that Staff has not appeared in the bankruptcy proceedings.

Mr. Schorer stated that he is aware of what the Board has filed.

Mr. Schorer stated that Emerald's plan is to come up with a sale process and a sale time frame. Mr. Schorer stated that Emerald Casino wanted to put a plan of reorganization on file by the end of February 2003 and that they wanted to have a candidate, or a narrowly defined group of candidates, by that time frame. Mr. Schorer stated that under the bankruptcy law, when Emerald files a plan, Emerald has a 60-day time period to get the plan confirmed.

Chairman Higginbottom asked how Emerald's bankruptcy proposal relates to the settle agreement that Emerald has with the Gaming Board.

Mr. Schorer stated that the settlement agreement does not always fit with the bankruptcy process and that it has been a little cumbersome and awkward; however, Emerald is trying to meld the two as best as they can. Mr. Schorer stated that Emerald has had experience with the Board and Staff in the past where there were some issues with the settlement agreement as it relates to the bankruptcy process. Mr. Schorer stated that the Board showed Emerald some flexibility, which Emerald very much appreciates. Mr. Schorer stated that there was a concept of a sales agent under the settlement agreement, which really does not work with the Chapter 11 process; however, the Board was very flexible. Mr. Schorer stated that Emerald suggested that there be an investment banker brought into the process, and there was an effective "dual-track" interview process that went forward to procure an investment banker. Mr. Schorer stated that he likes to think that the interview process for the investment banker was an example of a "win-win" situation in the sense that what Emerald felt would be acceptable to the Board was, in fact, acceptable to the Board.

Member Clark stated that she understands how the settlement agreement and the bankruptcy process may not fit one-hundred percent, but specifically the one thing that the Board made very clear was that the Board wanted a fair, open and competitive process. Member Clark

stated that what Mr. Schorer and Emerald have proposed does not demonstrate a fair, open and competitive process. Member Clark stated that when the Board saw the announcement in the Wall Street Journal on January 2, 2003 - the least read day of the year - it didn't send the Board the message that the Board is the constituency that Emerald is going for, nor does it send the message that Emerald is looking for a fair, open and competitive process. Member Clark stated that regardless of the other areas in the settlement agreement that may not fit with the bankruptcy process, Emerald had an opportunity to make the fair, open and competitive process fit. Member Clark asked Mr. Schorer to explain Emerald's reasons for not making the process fair, open and competitive.

Mr. Schorer stated that Emerald is very much in favor of a fair, open and competitive process. Mr. Schorer stated that the mandate under the bankruptcy laws requires a fair, open and competitive process. Mr. Schorer stated that Emerald is very interested in suggestions from the Board and Staff on what Emerald could do differently. Mr. Schorer stated that in early December 2002, the investment banker sent a variety of draft sales documents to Staff and asked for input. Mr. Schorer stated that Emerald did not receive any commentary back from Staff regarding the documents. Mr. Schorer stated that Emerald did not receive precise input as to what it is that the Board and Staff wanted.

Administrator Parenti stated that Staff sent Emerald no less than three letters identifying problems. Administrator Parenti stated Emerald received a letter dated December 23, 2002, from Robert Shapiro, which put Emerald on notice that Staff did not think that the materials received from Emerald represents a fair and open process. Administrator Parenti stated that on November 22, 2002, Staff had a meeting with Emerald and Mr. Schorer at which Staff requested that Emerald submit a reorganization plan. Administrator Parenti stated that Staff also asked if Emerald had planned to abide by the settlement agreement. Administrator Parenti stated that each time Staff posed that question to Emerald there was silence. Administrator Parenti stated that Emerald would never commit to abiding by the settlement agreement. Administrator Parenti stated that Staff informed Emerald that the Board needed to be apprised with dates and a status memo as to when the sale process was going to take place. Administrator Parenti stated that Emerald responded by indicating that Rothschild had no time to draft a status memo. Administrator Parenti stated that after the November 22, 2002 meeting, wherein Staff advised Emerald of the Board's concerns and desire to be part of the sales process, Emerald sent a letter dated December 3, 2002 accusing Administrator Parenti of threatening Emerald to go back to the revocation proceedings. Administrator Parenti stated that Mr. Schorer is saying that Emerald wants to be apart of the fair and open process, but Emerald's actions belie that fact.

Robert Shapiro, counsel to the Board, stated that Staff has sent a series of letters to Mr. Schorer and Emerald with respect to the Board's larger concerns. Mr. Shapiro stated that Staff has not expressed their concerns regarding the little details of the process because the process as a whole is not one that has been acceptable. Mr. Shapiro stated that Emerald sent Staff documents from the investment banker that indicated that if Staff did not respond in two days, Emerald would assume that the documents are acceptable to Staff. Mr. Shapiro read a letter dated December 10, 2002 that was sent to Mr. Schorer in response to the

documents that were sent to Staff. Mr. Shapiro stated in his letter to Mr. Schorer that the demands in Mr. Schorer's letter to Staff are hardly indicative of a good faith effort by Emerald to work cooperatively with the Illinois Gaming Board, either pursuant to the settlement agreement or under Illinois law. Mr. Shapiro stated in his letter that Staff's quick overview of the sales documents that were sent to Staff has heightened Staff's concerns. Mr. Shapiro stated in his letter that the documents contained numerous erroneous dates and figures and proposed purchases known to be unacceptable to the Board. Mr. Shapiro stated that Staff has also, in the course of various public documents, specified specific items that have been unacceptable to the Board. Mr. Shapiro stated that Staff has expressed concerns in terms of (1) Emerald favoring communities or prospective purchasers that are prepared to offer the most money, which does not consider appropriate regulatory concerns, and (2) Emerald Casino using confidentiality agreements that prevented prospective purchasers from initiating conversations with the Board.

Mr. Schorer stated that he is aware of the letters to which Mr. Shapiro referred. Mr. Schorer stated that it has been Emerald's experience that when they receive letters from Staff it is difficult to figure out specifically what the Board and Staff expects Emerald to do differently.

Chairman Higginbottom stated that when he met with Mr. Flynn the question of what the Board expects Emerald to do differently never came up.

Mr. Schorer stated that he can not account for that because he was not at the meeting between Chairman Higginbottom and Mr. Flynn. Mr. Schorer stated that he knows that Chairman Higginbottom met with Mr. Flynn on December 19, 2002 and that Emerald received Mr. Shapiro's letter on December 23, 2002. Mr. Schorer stated that one of the last lines of Mr. Shapiro's letter was something to the affect that the Board was simply not going to comment anymore on Emerald's process. Mr. Schorer stated that Mr. Shapiro's letter dated December 23, 2002 made it very hard for Emerald to get feedback from the Board or Staff. Mr. Schorer stated that Emerald is trying to talk to the Board and Staff to learn what it is that the Board and Staff want, but Emerald is being told the Board will not comment back. Mr. Schorer stated that Emerald would love to get some type of input or suggestions from the Board and Staff. Mr. Schorer stated that Emerald's goal is not to generate a sale that is going to fall flat on its face because it is not acceptable to the Board.

Member Rogal stated that the sale would fall flat on its face and that Emerald is wasting its time if Emerald thinks that the process that it has in play now is going anywhere. Member Rogal stated that as far as he is concerned, the process is "dead" right now. Member Rogal asked why Emerald has not provided the Board with a draft or outline of its plan of reorganization or how the proceeds would be distributed.

Mr. Schorer stated that Emerald has thought about Member Rogal's concern; however, Emerald thinks that it is premature to be talking about a plan of reorganization right now.

Member Rogal asked if the Flynn's are going to receive any more money than they were going to receive pursuant to the original settlement agreement.

Mr. Schorer stated that it is premature to be discussing the distribution of proceeds because Emerald does not know what it has to work with in terms of what the sale will generate.

Member Higginbottom asked if Emerald intend to live by the settlement agreement that it signed with the Board. Mr. Schorer stated that Emerald is trying to fit the settlement agreement and the Board's regulatory process with the laws that Emerald must abide by during the Chapter 11 process.

Member Dugan asked if Emerald has a new offer, as it relates to a settlement agreement, that would fit with the Chapter 11 process.

Mr. Schorer stated that it is not that Emerald has another proposal in mind, Emerald's thought is to try and find out what it has to work with. Mr. Schorer stated that once Emerald knows what it is working with, it might very well be that the laws of the Chapter 11 process might fit in fine with the settlement agreement. Mr. Schorer stated that if Emerald puts all of its time into formulating a plan it would distract various bidders, as the bidders will focus on all of the things contained in the plan instead of trying to tender the highest and best bid. Mr. Schorer further stated that the highest and best bid does not necessarily mean the biggest price.

Member Rogal asked who decides what would be the highest and best bid. Mr. Schorer stated that ultimately the bankruptcy judge decides who has the highest and best bid.

Member Rogal stated that he understands that the bankruptcy judge must approve any sale; however, the settlement agreement requires that the Board choose the highest and best bid. Member Rogal stated that Emerald does not even mention many of the factors that the Board thinks are important in the sale proposal, such as economic development, minority shareholders or revenue sharing. Member Rogal stated that those are factors that the Board would consider and that none of those factors are mentioned in Emerald's sale proposal. Member Rogal stated that the process contemplated (1) receiving proposals; (2) the Board selecting from among the proposals; and (3) Emerald Casino submitting the proposal to the bankruptcy court for approval.

Mr. Schorer stated that Emerald did not intend for approval process in the bankruptcy code to override, or supplant, the inquiries of the Board.

Chairman Higginbottom asked if Emerald intends to live up to the agreement that it signed with the Board. Chairman Higginbottom stated that the Board and Staff had lengthy negotiations with Emerald, and Emerald agreed to abide by the agreement when it signed the agreement. Chairman Higginbottom stated that Emerald has not abided by the agreement.

Chairman Higginbottom stated that Emerald said that it would provide the Board with a reorganization plan, but the Board has yet to see one. Chairman Higginbottom suggested that Emerald review the agreement.

Mr. Schorer stated that Emerald has tried to go over the agreement and that according to the way Emerald views the matter, it has complied with the settlement agreement as much as it can, in material part. Mr. Schorer stated that in a Chapter 11 case, when you form a plan, it is generally the emergence vehicle – how you get out of bankruptcy. Mr. Schorer stated that in this case, the centerpiece of the plan would have to be a sale, and it can not be done as a hypothetical sale. Mr. Schorer stated that Emerald needs to first identify a prospective buyer, and that could be the basis for the plan itself and how the sale would ultimately be consummated.

Member Rogal asked if the investment banker has given Emerald an estimate of what they believe the sale of Emerald might produce or, at least, range of what the sale might produce.

Mr. Schorer stated that a year and a half ago there was an aborted sale that would have indicated an enterprise value of \$800 million dollars, but since then there have been tax law changes that would clearly have a depressing effect on that amount.

Member Rogal again asked if the investment banker had given Emerald a range of what they believe that sale might produce.

Mr. Schorer said that the range given was \$0 - \$800 million dollars. Mr. Schorer stated that Emerald's goals are to try to get a substantial return for the State of Illinois, pay off its creditors, and come up with something that is a viable enterprise that satisfies the regulatory concerns of the Board. Mr. Schorer stated that Emerald's goal is to come up with a cooperative sale that is satisfying to all of the Board's concerns, as well as the concerns of the other constituents to which Emerald has to report.

Chairman Higginbottom asked how long did Mr. Schorer think it would take for Emerald to achieve its goals.

Mr. Schorer stated that Emerald's goal is to generate a sales candidate by the end of February 2003.

Member Clark asked how Emerald plans to reach its goals by the end of February 2003 if Emerald has not appeared before the Board and provided the Board with a plan that calls for an open and competitive process. Member Clark stated that, instead, Emerald sounds like it simply wants to produce a candidate for the Board, which does not contemplate an open competitive process.

Mr. Schorer stated that Emerald has approximately nine confidentiality agreements with candidates that express a non-binding interest in Emerald. Mr. Schorer stated that Emerald contemplated presenting them to the Board and Staff and discussing the agreements. Mr. Schorer stated that Emerald wanted to work through the process with the Board and Staff.

Member Clark stated that if Emerald has already had people signing confidentiality agreements there is nothing open about that process. Member Clark stated that Emerald is proceeding without having dealt with the issues that the Board wants Emerald to deal with up front. Member Clark stated that if Emerald presents someone to the Board without the Board having input, the process is not open and competitive.

Mr. Schorer stated that the Rothschild representatives personally contacted about 45 different candidates. Mr. Schorer stated that the Rothschild representatives provided Staff with a list of the potential candidates in December 2002 and asked for Staff's input. Mr. Schorer stated that the confidentiality agreement is meant to keep Emerald's proprietary information confidential.

Member Rogal asked what type of proprietary information would a casino have that has not been operating.

Mr. Schorer stated that there may not be much, but it is typical to have a confidentiality agreement to protect proprietary information in such cases.

Member Rogal stated that this is not a typical case.

Member Rogal asked how Emerald feels that the process is open. Member Rogal stated that by having a confidentiality agreement, there is nothing open about the process. Member Rogal stated that by maintaining confidentiality, groups opposed to gaming will not have notice or an opportunity to be heard because the groups will be left not knowing where and who to organize against.

Mr. Schorer stated that Emerald tried to notify the broadest community of potential purchasers that the license is being "auctioned" off. Mr. Schorer stated that in a bankruptcy sale, the goal is to get the highest and best bid and that highest usually means the most money. Mr. Schorer stated that Emerald is aware that the best bid does not necessarily mean the highest bid. Mr. Schorer further stated that Emerald has sent out letters to everyone that has signed confidentiality agreements. Mr. Schorer stated that the letters indicated that the persons signing the agreement should feel free to talk to the Board and Staff at anytime about anything. Mr. Schorer stated that is how Emerald wants the process to be.

Administrator Parenti asked that if Emerald wanted persons signing the confidentiality agreement to be able to talk to Staff at anytime about anything, why wasn't that stated in the original confidentiality agreement. Administrator Parenti asked why was it done only after Staff and three or four particular bidders of major companies insisted on it.

Mr. Schorer stated that Emerald's thought was, when originally drafting the confidentiality agreement, to try and ensure an open and fair process and prevent different bidders from going to different staff members of the Board trying to get some type of inside information. Mr. Schorer stated that Emerald wanted to "cabin" the information. Mr. Schorer stated that

such a course of action “pushed” Emerald away from the marketplace, and Emerald realized confidentiality was hurting them.

Chairman Higginbottom asked what part of the settlement agreement causes problem for Emerald.

Mr. Schorer stated that the sale agent concept was a problem.

Chairman Higginbottom stated that the sale agent concept has been removed from the settlement agreement.

Mr. Schorer stated that the sale agent concept worked its way though a lot of different parts of the settlement agreement and that Emerald is still trying to adjust to that and how it deals with certain things.

Mr. Schorer stated that, for example, it was contemplated that the sales agent would control the process, and now an investment banker has been substituted. Mr. Schorer stated that the sales agent was to provide three candidates for the Board, and Emerald is not sure how that concept translates into the current context. Mr. Schorer stated that Emerald is trying to come up with a set of proposals that would work for the Board and the people of the State of Illinois.

Chairman Higginbottom stated that Emerald wants to come up with what works for the Board without talking to the Board.

Mr. Schorer stated that Emerald is hoping that it could get the support of all of its constituents, starting with the Board, to give Emerald the time to work through the sale process. Mr. Schorer stated that Emerald welcomes feedback from the Board on what can be done to improve the sale process. Mr. Schorer stated that if Emerald has a sale proposal that is acceptable, then there is room for discussion about all of the things that go into a Chapter 11 plan.

Member Rogal told Mr. Schorer to assume Emerald sold for \$400 million dollars. Member Rogal stated that he finds it hard to believe that Emerald does not have a plan as to how Emerald wants to distribute the money from the sale.

Mr. Schorer stated that Emerald has not written a plan.

Member Rogal stated that Emerald might not have it written down, but he feels that Emerald has an idea of how the money will be distributed.

Mr. Schorer stated that he has been getting a lot of suggestions as to how to distribute the money.

Member Rogal stated that he feels that Emerald does not want to inform the Board how the money would be distributed because the distribution would not comply with the settlement agreement.

Mr. Schorer stated that Emerald has not reached the point of knowing what needs to be worked out to determine if there is any reason why the distribution would not comply with the settlement agreement.

Member Rogal asked Mr. Schorer to tell the Board about the sales process that Emerald perceives.

Mr. Schorer stated that Emerald would like to, over the next four to six weeks, try to obtain expressions of interest from the widest possible array of credible bidders. Mr. Schorer stated that the next step would be to evaluate those expressions of interest in consultation with the Gaming Board and Emerald's creditors committee and then select parties to complete a comprehensive due-diligence. Mr. Schorer stated that Emerald wants to prepare a draft purchase and sale agreement and review it with Staff and the Board to get input. Mr. Schorer stated that the draft would then be distributed to the parties that are completing the due-diligence. Mr. Schorer stated that after completion of the due-diligence by the bidding parties, and submission by the bidding parties of binding proposals with purchase contracts, Emerald would then select a party with whom it could negotiate definitive documentation, but not before getting input from the Board and Emerald's creditors committee.

Member Rogal asked how the winning bidder would be selected.

Mr. Schorer stated that the bankruptcy court would select it based on Emerald's recommendation and that parties in interest would have a chance to object. Mr. Schorer stated that Emerald would like to get regulatory approval, and agreement by the Board, on who the bidder will be.

Member Rogal asked if Emerald would accept the Board's determination on who the Board feels should be the appropriate bidder over Emerald's own view.

Mr. Schorer stated that he does not know that yet because the candidates have not been identified.

Mr. Rogal stated that Emerald Casino would not commit to providing for the Board's determination to control over Emerald Casino's determination of who the appropriate bidder will be.

Mr. Schorer stated that Emerald would like to come up with a bidder who would be acceptable to everyone to avoid the issue of who will control the aforementioned determination.

Chairman Higginbottom stated that Emerald has a signed settlement agreement with the Gaming Board. Chairman Higginbottom stated that Mr. Schorer still hasn't explained how the settlement agreement conflicts with what the requirements are under the bankruptcy code. Chairman Higginbottom stated that he could not understand why Emerald can't live up to the agreement that it signed.

Mr. Schorer stated that he feels that Emerald is living up to the settlement agreement.

Chairman Higginbottom stated that Emerald has not provided the Board with a reorganization plan, nor an outline for a reorganization plan, which was part of the settlement agreement. Chairman Higginbottom stated that Emerald has a reorganization plan in mind and asked why Emerald could not simply put it down on paper.

Mr. Schorer stated that there are still a lot of things missing that would be the basis for a reorganization plan and that the centerpiece of a plan would require a determination of the terms of the sale and the actual bidder.

Member Clark asked when would Emerald be able to provide the Board with a document that explains the process that Emerald is looking to use to sell the license, explains the distribution of funds from the sale, and explains how the process is different from what Emerald originally agreed to in the settlement agreement. Member Clark stated that the Board is not asking for exact numbers or the final amount to the final cent, but the Board is requesting a document that looks a lot like the settlement agreement and accomplishes the Board's goals.

Mr. Schorer stated that such a document would be difficult to generate without knowing who is the potential buyer. Mr. Schorer stated that Emerald's goal is the end of February 2003, when the exclusive period ends.

Member Peterlin asked who Emerald Casino's other constituencies were.

Mr. Schorer stated that other constituencies were shareholders, creditors and one employee.

Chairman Higginbottom asked what were Emerald Casino's assets.

Mr. Schorer stated that Emerald Casino's most significant asset was its license but that it also had investments in the grounds related to the garage in Rosemont and miscellaneous equipment.

Mr. Schorer closed by stating that Emerald Casino and Rothschild desired to work with the Board and Staff and not to be contentious.

Chairman Higginbottom suggested that Mr. Schorer review the terms of the settlement agreement and comply with said terms to demonstrate that Emerald Casino is not trying to be contentious.

Administrator Parenti and Robert Shapiro, counsel to the Board, provided the Board with a status on Emerald and the settlement agreement.

Administrator Parenti stated that the Board and himself have done everything humanly and legally possible to get the tenth license and its tax revenues up and running, with the bedrock of a fair process rooted in the settlement agreement that Emerald signed in August 2002.

Administrator Parenti reviewed the information that was provided to the public at the December 9, 2001 Regular Board meeting regarding Emerald and the terms of the settlement agreement with Emerald.

Administrator Parenti stated that at the December 9, 2002 Regular Board meeting, Mr. Shapiro and himself announced the Board's concerns with the sales process currently conducted by Rothschild and with various indications of non-compliance with the settlement agreement. Administrator Parenti stated that Staff offered to meet with Emerald. Administrator Parenti stated that Chairman Higginbottom, himself, and other individuals from Staff met with majority stock holder, Donald Flynn, and his attorney, and Staff was advised that the settlement agreement that Mr. Flynn and Emerald had signed would not work as the plan of reorganization in bankruptcy court.

Administrator Parenti stated that according to Mr. Flynn, some of the reasons the settlement agreement would not work were: (1) 45% of the shareholders would not sign onto the agreement and would not waive appraisal rights; (2) minority shareholders were not satisfied with only a return of their initial investment; and (3) Emerald was worried about Rosemont's lawsuits alleging that the Board settlement exceeds the Board's statutory authority. Administrator Parenti stated that the problem is that none of the examples provided by Mr. Flynn are new or provide any changed circumstances to justify alteration of a signed contract. Administrator Parenti stated that all of this was contemplated at the August 2002 execution and that the Board sees no reason to change the contract now. Administrator Parenti stated that "a deal is a deal."

Administrator Parenti stated that Staff still has not received a plan of reorganization from Emerald. Administrator Parenti stated that Staff has every reason to believe that the distribution of sale proceeds would not conform to the settlement agreement that Emerald signed. Administrator Parenti stated that, for example, Emerald Casino has submitted a claim to the bankruptcy court for three months of wages for Kevin Flynn, which is in direct contravention of the terms of the settlement agreement. Administrator Parenti stated that Staff has reviewed Rothchild's confidential information memo and confidentiality agreement and determined that said documents do not represent an open, fair and competitive process. Administrator Parenti stated that the Board has advised Emerald of said concerns on December 10th, December 17th, and December 23rd of 2002, but Emerald has not heeded Staff's written warnings.

Administrator Parenti stated that the public must know the settlement has lapsed, and unless a plan of reorganization is provided by Emerald consistent with the settlement agreement they signed, Staff has no choice but to return to the administrative hearing and revoke Emerald's license. Administrator Parenti stated that under said scenario, Emerald Casino will have nothing to sell, no corporate liabilities will be paid and the shareholders will receive no money. Administrator Parenti stated that once the hearing and appeals process, which the Board tried to avoid through settlement, is exhausted, the Board will collect the appropriate application fees for the tenth license and select the best applicant for the State of Illinois. Administrator Parenti stated that this entire course of action is necessary to maintain the integrity of gaming in Illinois and preserve the open process.

Mr. Shapiro briefed the public on the concerns of the Board and Staff regarding Emerald and the settlement agreement. Mr. Shapiro stated that there are two fundamental principals of the settlement agreement: (1) a fair, open and competitive process; and (2) the distribution of the proceeds of the process would be one that would not reward anything that has been identified by the Board as wrongdoing.

Mr. Shapiro stated that the settlement agreement was a series of compromises that turned out to be a "win-win" situation. Mr. Shapiro stated that no party got everything that they wanted, but because of a carefully constructed balance of compromises, every constituency that was affected by this dispute got a portion of what it wanted.

Mr. Shapiro stated that at the time that the Board entered into the settlement agreement, it was always regarded as a possibility that Emerald might end up in bankruptcy. Mr. Shapiro stated that the effects of a bankruptcy proceeding were well considered. Mr. Shapiro stated that there is nothing that he is aware of in the settlement agreement that is inconsistent with the bankruptcy process. Mr. Shapiro stated that the bankruptcy code does not require a process consistent with the terms discussed earlier in the meeting by Mr. Schorer. Mr. Shapiro stated that the Board and Staff made it clear in the beginning that they wanted to be able to know right at the beginning what the process was going to be and how the proceeds were going to be distributed. Mr. Shapiro stated that there is nothing that he is familiar with in the bankruptcy code that would prevent Emerald from providing the Board and Staff with the information they requested. Mr. Shapiro stated that what has appeared to have happened in the course of the bankruptcy is that some parties believe that they can use various procedures in the bankruptcy code to get more of what they didn't get in the course of the settlement agreement.

Mr. Shapiro stated that the Board has demonstrated great flexibility in the course of dealing with the bankruptcy so long as the fundamental principles of the settlement agreement were not compromised.

Mr. Shapiro discussed the issues that Staff and the Board has with Emerald's process. Mr. Shapiro stated that in addition to the settlement agreement, there were extensive meetings between Staff, Emerald and Emerald representatives (in the form of Rothschild) to describe the type of process that the Board and Staff had in mind. Mr. Shapiro stated that, in addition,

Staff provided Emerald and Rothschild with extensive materials regarding factors that Staff felt should have been taken into consideration in the course of the process itself. Mr. Shapiro emphasized that the process is important, not just the end result of the process.

Mr. Shapiro stated that Staff met with the investment banker and provided numerous examples explaining how what the investment banker would ordinarily do would not work in this matter. Mr. Shapiro stated that when Staff showed the investment banker what wouldn't work, Staff did not do anything that was contrary to the bankruptcy code. Mr. Shapiro stated that what Staff wanted to do was just as consistent with the bankruptcy code as any other process.

Mr. Shapiro stated that Emerald had extensive information at the outset about what it was that the Gaming Board had in mind by way of a process. Mr. Shapiro stated that Staff made it a point to tell Emerald that the process had to be conducted in the open. Mr. Shapiro stated that the confidentiality agreements, no matter how customary in the industry, would not work in this matter. Mr. Shapiro stated that there was no reason for confidentiality agreements in this matter because there is nothing that Emerald has to keep confidential.

Mr. Shapiro stated that Staff emphasized that the Board had to be involved and consulted at all steps of the process. Mr. Shapiro stated that the Board needed to be able to do reviews as to who is being considered as a potential purchaser to make certain that those were people who met the standards of the Board. Mr. Shapiro stated that Emerald, to date, was not complying with that requirement. Mr. Shapiro stated that Rothschild and Emerald were attempting to choose initial bidders without collecting input from the Board. Mr. Shapiro stated that the Board is not even aware of how parties would be selected to bid on the license. Mr. Shapiro stated that the Board has never been told what the criteria is that is being used to select the parties, nor has the Board been invited to participate in the selection process.

Mr. Shapiro stated that overall it is not just a matter of how you evaluate those who are making an offer to purchase Emerald and what locals they are proposing to put the casino. Mr. Shapiro stated that the question remains: who is bidding in the first place? Mr. Shapiro stated that one of the things that the Board has emphasized repeatedly, publicly and in conversations with Emerald, is that the Board wanted to make certain that the process was one in which no prospective purchaser, with appropriate means, would view the process as one in which its proposal would not genuinely be considered. Mr. Shapiro stated that Emerald's process does not meet that criteria because of the emphasis that has been repeatedly placed on the amount of money that would be generated. Mr. Shapiro stated that the amount of money that is generated should not be of great concern to Emerald if it is complying with the settlement agreement, for the settlement agreement specifies precisely what amount of money is necessary to resolve the matter. Mr. Shapiro stated that by emphasizing the most lucrative bid, Emerald is sending a discouraging message to smaller prospective purchasers and certain locals not associated with the potential to generate the highest revenue, and that is not an acceptable approach from the standpoint of the Board.

Mr. Shapiro stated that the reorganization plan is not something that can be completed after the sales process because Emerald Casino first needs to commit itself to a distribution as outlined in the settlement agreement.

Mr. Shapiro stated that the process as a whole is not the process that the Board anticipated, nor is it the process that Staff discussed with Emerald at length before and after the settlement agreement was entered into, because it discourages certain prospective purchases and locals and thwarts the open and competitive process.

Mr. Shapiro stated that the Board has on numerous occasions, both orally and via written correspondence, advised Emerald Casino of its concerns regarding the course and manner of the current process.

Mr. Shapiro stated that the agreement has lapsed by its own accord. Mr. Shapiro stated that, therefore, the stayed administrative hearing will be set to resume.

Mr. Shapiro stated that the situation, however, is not irretrievable. Mr. Shapiro urged Emerald to address the Board's and Staff's concerns about the process and the reorganization plan and to come to the Board, even unilaterally, to show that it ultimately has subscribed to those principals that are set out in the settlement agreement.

Chairman Higginbottom stated that the Board's position is that the process must be fair and open. Chairman Higginbottom stated that price is not the sole consideration. Chairman Higginbottom stated that Emerald signed a settlement agreement with the Board, and they should live up to that agreement. Chairman Higginbottom stated that the Board expects Emerald to abide by the deal that they made.

Supplier Licensee Items

ARISTOCRAT TECHNOLOGIES – MARK RICHARD NEWBURG, PRESIDENT – KEY PERSON – Walt Stowe, Vice President of Legal and Compliance, was present on behalf of Mark Richard Newburg to request approval as a Key Person.

Based on a review of the staff's investigation and recommendation, Member Peterlin moved that **the Board approve Mark Richard Newburg as a Key Person of Aristocrat Technologies, Inc.** Member Clark seconded the motion. The Board approved the motion unanimously by voice vote.

AMERICAN GAMING & ELECTRONICS, INC. – NEW SUPPLIER – Fred Foreman, Attorney, and George Toma, Chief Financial Officer, were present on behalf of American Gaming & Electronic, Inc. to request approval for a supplier's license.

Based on the staff's investigation and recommendation, Member Clark moved that **the Board approve the application of American Gaming & Electronics, Inc. for a Supplier's license for a period of one year expiring January 2004.**

Member Clark further moved that **the Board authorize American Gaming & Electronics, Inc. to sell, manufacture or lease only the following products in the State of Illinois:**

- 1. Bill Validators;**
- 2. Coin Comparitors;**
- 3. Dealing Shoes; and**
- 4. Hopper Mechanisms and related parts.**

Further, based on the staff's investigation and recommendation, Member Clark moved that **the Board certify and approve the following entity, position and person as Key Persons of the licensee:**

- 1. Wells-Gardner Electronics Corporation;**
- 2. Chief Executive Officer; and**
- 3. Anthony S. Spier.**

Member Dugan seconded the motion. The Board approved the motion unanimously by voice vote.

MIDWEST GAME SUPPLY COMPANY – LICENSE RENEWAL – Linda L. Sohm and Charles P. Sohm were present on behalf of Midwest Game Supply Company to request approval for license renewal.

Based on a review of staff's investigation and recommendation, Member Rogal moved that **the Board approve the Supplier's license of Midwest Game Supply Company for a term of 4 years expiring in January 2007.**

Member Rogal further moved that **the Board certify and approve the following persons and positions as a Key Persons of the licensee:**

- 1. Linda L. Sohm;**
- 2. Charles P. Sohm;**
- 3. President; and**
- 4. Vice President.**

Member Rogal further moved that **the Board authorize Midwest Game Supply Company to manufacture, sell or lease the following products in the State of Illinois:**

- 1. Certified Perfect Dice;**
- 2. Casino Chips;**
- 3. Roulette and Big Six Wheels;**
- 4. The following equipment – 6 Deck Dealing Shoe; and**

5. **The following table game layouts – Baccarat, Mini-Baccarat, Big Six, Blackjack, (Twenty-one), Multi-Action Blackjack, Royal Match 21, Single Hand 21, Spanish 21, Twenty-one Super Bucks, Poker, Caribbean Draw Poker, Caribbean Stud Poker, Let It Ride Poker, Let It Ride Bonus, Pai Gow Poker, Three Card Poker, Craps, Red Dog, Roulette, Sic Bo, War, and Wild Aruba Stud.**

Member Clark seconded the motion. The Board approved the motion unanimously by voice vote.

Occupational Licensees

Based on staff's investigation and recommendation, Member Peterlin moved that **the Board approve 42 applications for an Occupational License Level 2 and 187 applications for an Occupational License Level 3.**

Member Peterlin further moved that **the Board direct the Administrator to issue Notices of Denial to the following three applicants for Level 3 licenses, each of whom previously received notice that staff intended to recommend denial and either did not respond or provide additional information to rebut that recommendation:**

1. **Coby Agnew;**
2. **Starvaiena Sanders; and**
3. **Marlon Fisher.**

Member Rogal seconded the motion. The Board approved the motion unanimously by voice vote.

Proposed Complaints and Disciplinary Actions

IN RE THE DISCIPLINARY ACTION OF BOBBY LANG - Based on a review of staff's investigation and recommendation, Member Peterlin moved that **the Board issue a disciplinary complaint against Bobby Lang, a Level 3 Occupational Licensee, for failing to comply with the Riverboat Gambling Act and the Board's Adopted Rules in relation to Bobby Lang's act of placing Harrah's Metropolis's property (proceeds from sales) into his tip jar instead of a Harrah's Metropolis cash register.**

Member Peterlin further moved that **the Board revoke Bobby Lang's occupational license. Said action will take affect twenty-one (21) days from the date of service of the Complaint unless the licensee files an answer within that time period.** Member Dugan seconded the motion. The Board approved the motion unanimously by voice vote.

Administrative Hearings/ALJ Reports

IN RE THE DISCIPLINARY ACTION OF ELGIN RIVERBOAT RESORT D/B/A GRAND VICTORIA CASINO, PETE DOMINGUEZ, SCOTT ENSLIN, AND EDWARD CISOWSKI NO. DC-01-08 - Based on staff's recommendation, Member Clark moved that **the Board accept the proposed settlement agreement pertaining to Elgin Riverboat Resort d/b/a Grand Victoria Casino and delegate to the Administrator the authority to execute such agreement.**

Member Clark further moved that **the Board authorize legal counsel to present the settlement agreement to Administrative Law Judge Patricia Holland for disposition of this matter, as it pertains to Elgin Riverboat Resort, in accordance with the terms of the settlement agreement.** Member Rogal seconded the motion. The Board approved the motion unanimously by voice vote.

At 3:36 P.M., Member Rogal moved that the Board adjourn. Member Clark seconded the motion. The Board approved the motion unanimously by voice vote.

Respectfully submitted,
Monica Thomas

Secretary to the Board